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WEST VIRGINIA LEGISLATURE

2019 REGULAR SESSION

Introduced

House Bill 2641

BY DELEGATE CANESTRARO, DISERIO, FLUHARTY,

ZUKOFF AND PYLES

[Introduced January 24, 2019; Referred

to the Committee on Energy]

A BILL to amend and reenact §11-13A-3a of the Code of West Virginia, 1931, as amended; and to amend said code by adding thereto a new section, designated §22-6-42, all relating to requiring owners of oil and gas wells to install and maintain separate meters that calculate the amount of production from those wells; requiring the Secretary of the Department of Environmental Protection to work with the State Tax Commissioner to implement procedures allowing the Office of Oil and Gas to verify production; requiring that information be shared with county assessors and royalty owners; and requiring rule-making.

Be it enacted by the Legislature of West Virginia:

CHAPTER 11. TAXATION.

ARTICLE 13A. SEVERANCE AND BUSINESS PRIVILEGE TAX ACT.

§11-13A-3a. Imposition of tax on privilege of severing natural gas or oil; Tax Commissioner to develop a uniform reporting form.

(a) *Imposition of tax.* -- For the privilege of engaging or continuing within this state in the business of severing natural gas or oil for sale, profit or commercial use, there is ~~hereby~~ levied and shall be collected from every person exercising ~~such~~ the privilege an annual privilege tax: *Provided,* That effective for all taxable periods beginning on or after January 1, 2000, there is an exemption from the imposition of the tax provided in this article on the following: (1) Free natural gas provided to any surface owner; (2) natural gas produced from any well which produced an average of less than 5000 cubic feet of natural gas per day during the calendar year immediately preceding a given taxable period; (3) oil produced from any oil well which produced an average of less than one-half barrel of oil per day during the calendar year immediately preceding a given taxable period; and (4) for a maximum period of 10 years, all natural gas or oil produced from any well which has not produced marketable quantities of natural gas or oil for five consecutive years immediately preceding the year in which a well is placed back into production and thereafter produces marketable quantities of natural gas or oil.

(b) *Rate and measure of tax.* -- The tax imposed in subsection (a) of this section ~~shall be~~ is five percent of the gross value of the natural gas or oil produced, as shown by the gross proceeds derived from the sale thereof by the producer, except as otherwise provided in this article.

(c) *Tax in addition to other taxes.* -- The tax imposed by this section ~~shall apply~~ applies to all persons severing gas or oil in this state, and ~~shall be~~ is in addition to all other taxes imposed by law.

(d)(1) The Legislature finds that in addition to the production reports and financial records which must be filed by oil and gas producers with the State Tax Commissioner in order to comply with this section, oil and gas producers are required to file other production reports with other agencies, including, but not limited to, the office of oil and gas, the Public Service Commission and county assessors. The reports required to be filed are largely duplicative, the compiling of the information in different formats is unnecessarily time consuming and costly, and the filing of one report or the sharing of information by agencies of government would reduce the cost of compliance for oil and gas producers.

(2) ~~On or before July 1, 2003~~ The Tax Commissioner shall design a common form that may be used for each of the reports regarding production that are required to be filed by oil and gas producers, which form shall readily permit a filing without financial information when such information is unnecessary. The commissioner shall also design such forms so as to permit filings in different formats, including, but not limited to, electronic formats.

(3) ~~Effective July 1, 2006, this subsection shall have no force or effect~~ Notwithstanding any of the confidentiality provisions of this chapter, and pursuant to §22-6-42 of this code, the Tax Commissioner shall assist the Secretary of the Department of Environmental Protection to implement procedures that allow the Office of Oil and Gas to verify information submitted under this section. This information is to be shared with the county assessors and royalty owners.

CHAPTER 22. ENVIRONMENTAL RESOURCES.

ARTICLE 6. OFFICE OF OIL AND GAS; OIL AND GAS WELLS; ADMINISTRATION; ENFORCEMENT.

§22-6-42. Reporting of oil and natural gas production, including marketable liquids; additional meter; rule-making.

(a) To ensure the proper amounts of severance tax and royalties are being reported and paid, all owners of oil and gas wells, as those terms are defined in §22-6-1 of this code, shall, at their own expense, install and maintain a separate meter on each well for the purpose of calculating the amount of oil, gas and marketable liquids from the well. That meter shall be labeled "State of West Virginia Owned" for the purpose of calculating the amount of oil, gas and marketable liquids from the well. Once installed the meters become the property of the state. The Office of Oil and Gas has full access to those meters and is responsible for the reading of the meters and administration of the resulting information. This information shall be shared with the county assessors and royalty owners.

(b) The secretary shall propose rules for legislative approval in accordance with §29A-3-1 *et seq.* of this code to implement this section.

NOTE: The purpose of this bill is to require owners of oil and gas wells to install and maintain separate meters that calculate the amount of production from those well. The bill requires the Secretary of the Department of Environmental Protection to work with the State Tax Commissioner to implement procedures allowing the Office of Oil and Gas to verify production. The bill requires the information be shared with county assessors and royalty owners. The bill requires rule-making.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.